

ETHICS AND ACCOUNTING EDUCATION IN NIGERIA: A STUDY OF SELECTED UNIVERSITIES

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ABSTRACT

Despite the accounting standards and ethical codes guiding the accounting profession, morality and ethics has gone down the drain based on the occurrence of scandals in Enron, World Com, Nigerian Cadbury and similar scandals that have surfaced. In line with this, this study looked into the opinions of accounting lecturers in four Nigerian universities on whether the teaching of ethics among student accountants can facilitate in instilling ethical behaviour in future accountants. These opinions were later tested using the Chi-Square method of data analysis. Based on the analysis, for which all the calculated values are above the critical value, the alternate hypotheses which states that ethics should be taught as a separate course from principle of auditing and that teaching accounting ethics will help instil the culture of ethics in the student accountants were accepted. From the findings, the paper concludes that if ethics is taught well as an independent course in the accounting curriculum and not as part of auditing, the future accountant is bound to have instilled in him/ her, the required ethical culture.

Keywords: *Ethics, Accounting, Education, Scandals.*

Introduction:

Throughout its history, accounting has been a moral discourse partially reflecting the moral order of the world in which it's been practiced (Verschoor 2002: 28). According to this view, the injustices that have occurred with the accounting profession reflect the current state of immorality in the society. But as debates proliferate in regards to ethics and accounting, it is essential to define ethics within the accounting profession. As defined by Jackling, Cooper and Dellaportas (2006), ethics is the discipline dealing with what is good and bad and with moral duty and obligation principles of conduct governing an individual or a group.

Following the accounting scandals like Enron, WorldCom and the recent Nigerian Cadbury Plc cases that have painted the accounting profession black, it is however disturbing to know that a profession guided by certain codes of ethics, regulated by standards, monitored by recognised regulatory bodies could record a high level of unethical behaviour in recent time (Lindstorm, 2006).

The issue of ethics has been long discussed in virtually all disciplines and works of life. In relation to accounting, the application of ethics cannot be overemphasized because it is somewhat the bedrock of the accounting profession. Ethics in the accounting profession can be said to be one of

its pillars because, it gives support to the notion that accountancy is a noble profession. Furthermore the profession is such that it is governed by its own standards and not by government (Verschoor, 2002). There are so many standards that have come to stay in the accounting profession that gives the profession a humble name and made the accountants to be called "noble". With regard to auditing, the Auditing Practices Board also sets out a number of guidelines on ethics which should be followed by auditors due to the nature of their work. Hence, self regulation may not seem possible if accountants were not seen to have high standards of professionalism or morals. The nature of both accountants' and auditors' work require them to have and show high level of ethics. In the case of auditors, they have to ensure that a true and fair view is being portrayed by the financial accounts of the company they are auditing. Shareholders for instance rely heavily on the annual accounts of a company as they can use this information to make informed decisions on their investment. The opinion of the auditor is so much vital as he is the one to express the truth and fairness of the financial statements or otherwise (Warth, 2000).

However, auditors are somewhat bound to face a great deal of temptation in their line of work. Where an auditor identifies a problem with the accounts but decides to ignore them due to the fact that he may have received

some incentives, he is said to have acted outside the ethical boundaries guiding his profession. Scandals within the accountancy sector have threatened the reputation of accountants and in all this type of cases; ethics did not play an effective role.

Despite the accounting standards and ethical codes guiding the accounting profession, morality and ethics has gone down the drain based on the occurrence of the Enron, World Com, Nigerian Cadbury and similar scandals that have surfaced. It is against these backdrops that this study looked into the opinions of accounting lecturers in the Nigerian universities on whether the teaching of ethics in student accountants can facilitate in instilling ethical behaviour in future accountants. The paper further sampled the opinions of these accounting lecturers on whether ethics should be taught as a separate course rather than been a part of auditing as a course.

Scope of Study:

Since the study covers the role of ethics in accounting profession and the effect that the teaching of ethics in tertiary institutions will have on instilling ethical conducts in future accountants, this study therefore focuses on the views of accounting lecturers in Nigerian universities only. These universities include four universities located in the western part of the country where accounting is studied (Covenant University, Babcock University, University of Benin and University of Lagos).

Hypotheses Testing:

Hypothesis 1:

- H_0 : Teaching accounting ethics cannot help instil the culture of ethics in future accountants
 H_1 : Teaching accounting ethics will help instil the culture of ethics in future accountants

Hypothesis 2:

- H_0 : Ethics should not be taught as a separate course from principle of auditing
 H_1 : Ethics should be taught as a separate course from principle of auditing

Review of Literature:

What is Ethics?

Ethics can be said to be rooted in Greek word "ethos" which means character (David, 1998). It is concerned with what is morally good and comprises of other standards expected from individuals or corporate entities. It is synonymous to moral philosophy and in the simplest form, ethics has to do with what is right. Ethics has been defined by many persons, institutions, philosophers and even theologians. The Encarta dictionary (2007) defines ethics as a system of moral principles governing the appropriate conduct for persons or group. However, missing in most discussions of ethics according to Robert (1990) is the fact

that by definition, "ethics is the part of philosophy that deals with practical application of those actions over which we have control. As earlier identified by (Verschoor 2002 :28), '... ethics is the principles of conduct governing an individual or a profession; the discipline dealing with what is good or bad, or with moral duty and obligation'. Webster characterized professionals as those conforming to the technical and ethical standards of a profession or an occupation. Ethics is also defined by David (2002) as special morally permissible standards of a group or profession. Here, standards are referred to as guidelines and or principles of good behaviour pattern of a group or profession. David further posits that "a profession comprises of a number of individuals in the same occupation voluntarily organised to earn a living by openly serving a moral ideal in a morally permissible way beyond what law, market and morality would otherwise require". He further said that groups especially professions tend to formulate their standards of conduct in writing as "code of ethics". This code however serves as the laws governing the profession and they are also important for teaching ethics.

Prior Studies:

There are mixed results in the literatures relating to the inclusion of ethics in accounting in accounting curriculums and courses. As seen in Brands (2010), Blanthorne et al. (2007) research concluded that accounting faculty overwhelmingly agreed with integrating ethics in courses. Jennings (2004) believes that accounting students should be taught ethics because of the role that accountants played in recent scandals such as Enron, Worldcom, and Arthur Andersen.

However, Brands (2010) further states that there are several opposing views about including ethics in the accounting curriculum. Breaux, Chiasson, Mauldin, and Whitney (2009) studied corporate accounting recruiters who focus on entry level accountants. The recruiters suggested that a better method for teaching ethics to entry level accountants is not in the college classroom, but through on the job training. In 2005, the National Association of State Boards of Accountancy (NASBA) attempted to mandate requiring the inclusion of three ethics focus in the coursework requirements for the CPA exam (www.NASBA.org, 2005): an ethics philosophy course, an accounting ethics course, and a capstone ethics course. Accounting academics led the lobby to defeat this initiative arguing that the requirement would be a burden on accounting programs' resources (Bean & Bernardi, 2005).

A Summary of the Accounting Scandals around the World The Enron Scandal:

Enron Corporation, gas line, electricity and commodities trading company which was given a national recognition of one of the America's best companies for the years 1996 to 2001, became one of the largest bankruptcies in United

States history and the focus of a major scandal due to accounting fraud and non adherence to Generally Accepted Accounting Principles and Ethical conducts. The scandal led to reforms in accounting practices. Many employees lost their jobs, the top executives were imprisoned, public confidence was distorted and reputation was damaged. This therefore brought about the wake-up call made to all accountants and auditors for them to sit up (Lindstorm, 2006).

WorldCom's Scandal:

In WorldCom's saga, approximately 200 billion dollars in shareholder value was first created and then destroyed. The United States SEC filed suit against the company immediately following the company's admission that its earnings had been overstated by more than 3.8 billion dollars to make the company appear profitable when it had actually lost 1.2 billion dollars during the period. This was seen as one of the biggest accounting frauds aside the Enron scandal.

Cadbury Nigeria Scandal:

Cadbury has had its share price on the increase over the years and patronage has never declined. Despite its achievements, it was observed that Cadbury Nigeria has not had the interest of the public in the true sense of it. This is because the company tries to influence public perception by overstating profits and understating losses. In this case, the British confectionery giant expressed their embarrassments which led to the sack of the managing director and his finance director.

Ethics and the Accounting Profession:

The principles and application of ethics in the accounting profession is a concept that deals with the expected behaviour and accountability of the accounting profession. As earlier stated, every profession tends to formulate their standards of conduct in writing as 'code of ethics'. These codes are set to give guidance to the behaviour of the accountant as he discharges his duties, relates with his contemporaries, his client, his employer and the public at large. Finn, Munter and McCaslin (1994) posit that the accounting profession has been founded on the notion that ethical behaviour is a cornerstone of providing professional services to the client. Unfortunately, these codes of ethics have not been adhered to in recent times. This is confirmed in the cases of Enron, WorldCom and the seemingly endless list of additional accounting scandals that have aroused the public. The occurrence of these cases has led to a loss of confidence by the investing public in the system of financial reporting and accountability.

The accounting profession is self regulating because it is governed by its own standard and codes. These codes of conduct or ethics are supposed to be guidelines to accountants but while the profession as a whole has taken steps to foster ethical behaviour among its members,

several unethical behaviours identified has confirmed that the opportunity for unethical practice or behaviour by accounting professionals exists.

According to Finn et al (1994), such unethical behaviour or activities by accounting professionals are enumerated below. However, they are not limited to these:

- Overstating a company's earnings and financial condition
- Wilfully and extensively falsifying corporate records
- Lying to auditors
- Coercing vendors into covering up practices
- Improper application of accounting principles
- Making false disclosures.
- Repeatedly violating Generally Acceptable Accounting Principles (GAAP)

Teaching Accounting Ethics:

In Nigeria, although the accounting profession has attempted to respond to earnings scandal, however, there is a growing concern that ethics and professional responsibility should become more prevalent in the Nigerian accounting curriculum. This is evident in the proposal from the Nigerian Accounting Standard Board to increase the number of semester hours for ethics education and the need to educate future accounting professionals specifically in accounting ethics.

One problem with ethics education as argued by Langerderfer and Rockness (1989) cited in Shawer (2006) is that ethics education is often held at the philosophical level, rather than exposing accounting students to the practical aspect. Helps (2002) also expressed the need to integrate ethics throughout the accounting curriculum rather than as appendage to an auditing course. As also observed by Smith and Smith (2003), the National Fraudulent Financial Reporting (Treadway Commission) in the United State indicated that curricula should integrate the development of ethical values with the acquisition of knowledge and skills.

All these views indicate that there is much to be done by accounting lecturers in teaching ethics to instil the ethical conducts. Similarly, it will be more prudent for the accounting profession in terms of counting the cost of the profession's image and reputation to establish a singular course in the accounting curriculum which will address ethics for higher institutions.

Methodology:

This study, adopted primary data to ascertain if the teaching of ethics can instil the ethical culture in student accountants and also to find out if Ethics should be taught as a separate course from principles of auditing. The population size for this study is centred on the accounting lecturers in Nigerian universities. From this population, a random sampling technique was used to select a sample of 60 accounting lecturers from four different universities in Nigeria i.e. 15 lecturers from each university (Covenant

Table 1: Ethics Education Can Facilitate Instilling Of Ethical Behaviour In Student Accountants

	Observed N	Expected N	Residual
Strongly agreed	17	17.3	-0.3
Agreed	33	17.3	15.7
Disagree	2	17.3	-15.3
Total	52		

Source: field survey, (2011)

Table 2: Ethics Should Not Be Taught As A Separate Course From Principle Of Auditing

	Observed N	Expected N	Residual
Strongly agreed	15	17.3	-2.3
Agreed	31	17.3	13.7
Disagree	6	17.3	-11.3
Total	52		

Source: field survey, (2011)

Chi- Square Result

	Teaching accounting ethics will help instil the culture of ethics in the student Accountants	Ethics should be taught as a separate course from principle of auditing
Chi-Square (a)	27.731	18.500
df	2	2
Asymp.Sig.	.005	.005

A 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 17.3.

University, Crawford University, University of Benin and University of Lagos). The choice of this sample is because the respondents have rudimentary and substantial knowledge of ethics, its role and its application. Copies of questionnaire were administered to find out the opinions of the selected accounting lecturers on the teaching of ethics in the universities. All but three copies of the questionnaire were retrieved and five were not well filled, thereby making only 52 copies available for the analysis. These opinions were later tested using the Chi- Square method of data analysis.

Restatement of Hypotheses:

Hypothesis 1:

H₀: Teaching accounting ethics cannot help instil the culture of ethics in future accountants

H₁: Teaching accounting ethics will help instil the culture of ethics in future accountants

Hypothesis 2:

H₀: Ethics should not be taught as a separate course from principle of auditing

H₁: Ethics should be taught as a separate course from principle of auditing

Findings:

From the table above, 32.7% of the respondents strongly agreed that ethics education can help to instil ethical behaviour in the student accountants, also 63.5% agreed likewise and those that disagree were 3.8% of the respondents.

The first question relating to hypothesis 1 has a calculated value of 27.731 and a critical value of 5.99 at 0.05% level of significance and a 2 degree of freedom. The second question also relating to hypothesis 2 has a calculated value of 18.500 and a critical value of 5.99 at 0.05% level of significance 2 degree freedom. Based on the above analysis, for which all the calculated values are above the critical value, the alternative hypotheses which states that ethics should be taught as a separate course from principle of auditing and that teaching accounting ethics will help instil the culture of ethics in the student accountants are accepted.

As observed from the copies of questionnaire administered, Covenant University offers Ethics as a separate course apart from its inclusion in the principles of auditing at the final year level. This is likely to be because it is a Christian university with some level ethical norms. Although University of Lagos which is a conventional university also teaches ethics as a separate course but this is only evident at the masters level and not at the undergraduate level in the accounting department. However, all other universities (i.e Crawford University and University of Benin) have ethics incorporated in their

auditing curriculum and not as a separate course in their accounting department.

Conclusion and Recommendations:

From literatures reviewed, this study concludes that the ethical conduct of accountants has been dented and has created a wrong image for this profession as a result of different unethical practices of high profile companies. The paper further concludes that ethics education is a reckoning force with behaving ethically. From the above findings, it is also evident that if ethics is taught well as an independent course in the accounting curriculum, the future accountants are bound to have instilled in them, the required ethical culture. It was further observed that the relationship between ethics and the accounting profession is symbiotic; meaning that ethics is an integral part of accounting profession and the accounting profession is standing on the foundation of ethics.

This is in line with the work of Langender and Rockness (1989) as cited in Shawver (2006), where they opined that ethics education should become more prevalent in accounting curriculum.

This paper therefore recommends that ethics in accounting should be made effective as a major course in Nigerian Universities, so as to enlighten and educate students on how to and how not to behave as accountants. This the study views as one potential remedy to address the professional ethical crises around the world. In the same vein, the paper suggests that there should be increased ethics education at both pre-qualifying and post-qualifying levels of the accounting profession.

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